

VZCZCXYZ0011
RR RUEHWEB

DE RUEHBS #0930/01 0801745
ZNR UUUUU ZZH
R 211745Z MAR 07
FM AMEMBASSY BRUSSELS
TO RUEHC/SECSTATE WASHDC 4765
INFO RUCPDOG/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS BRUSSELS 000930

SIPDIS

SENSITIVE
SIPDIS

STATE FOR EEB/CBA AND EUR/UBI
USDOC FOR 3133/USFCS/OIO/EUR
Treasury for OASIA/ICN ? Atukorala

E.O. 12958: N/A
TAGS: [BEXP](#) [EFIN](#) [BE](#)
SUBJECT: Citibank Lending Practices Criticized by
Socialist Party Leader

11. (SBU) Summary. Flemish Socialist party (Sp.A) leader Johan Vande Lanotte has accused Citibank of predatory consumer lending practices, targeting persons already heavily in debt and encouraging credit card use by those financially weak. Citibank has defended itself, both denying inappropriate practices and defending the quality of its loan portfolio. Citibank believes that it is being targeted unfairly by this political party and that the Embassy should protest the Sp.A campaign against the bank. Comment: While post has raised the issue informally with a Sp.A advisor, given the coming elections we are slightly wary that our action not be misinterpreted as politically partisan. End Summary.

12. (SBU) On March 12 Flemish Socialist party (Sp.A) leader Johan Vande Lanotte made public statements accusing U.S. banking giant Citibank of predatory consumer lending practices. He claimed the bank targets persons already heavily in debt with marketing for consolidation loans, and encourages consumer debt through credit card use. He believes the Bank uses misleading advertising to garner itself a large share of Belgium's private borrowing market. In light of these practices, Vande Lanotte was inviting consumers to lodge complaints with the Party, and requesting the Ministry of Economy investigate the bank and its lending practices. Subsequent media reports note that a Ministry inquiry is underway. Other Sp.A politicians supported these accusations against Citibank; Sp.A Senator Hans Bonte claimed that Belgium's federal financial sector supervisory authority (CBFA) had done too little to protect consumers from the bank.

13. (SBU) Citibank is defending itself actively against the charges. In two press releases (one locally in Belgium and another in the U.S.) and a press conference, it denied predatory lending practices, and defended its loan portfolio as stronger than the industry average. While Citibank is the market leader in Belgian consumer lending with a 20 percent share, it claims only 16 percent of its consumer loans encounter repayment difficulties, and only 1 percent are not repaid. Belgian Managing Director Jose de Penaranda called D/Econ Counselor to defend Citibank, noting that guidelines from the bank's headquarters limit the Bank's exposure to uncreditworthy clients, nor would it be in the bank's interest to make such loans. He said neither the bank, nor the Federation of Belgian Financial industries (FeBelFin, which has an ombudsman's office for consumer complaints), nor Test-Achat (Belgium's consumer interest research group), nor the CBFA have received

complaints regarding Citibank lending.

¶4. (SBU) Citibank believes it is being targeted by this political party, which is playing an inappropriate role. Citibank management believe the Embassy should protest the Sp.A campaign against the bank, which they believe is politically motivated. Emboff stressed to Citibank's public communications director that the bank's own approach of laying out the facts and openness to client criticism is an excellent defense. Re-channeling consumer complaints to normal avenues for investigation is in Citibank's best interest. On March 21, the Flemish daily De Standaard claimed that one overzealous Citibank employee had been fired for mining a public list of debtors of the National Bank of Belgium (Central Bank) for prospects for consolidation loans. While this might substantiate aspects of Sp.A charges, it happened prior to Vande Lanotte's announcement and indicates that the bank had addressed in-house an inappropriate marketing action.

¶5. (SBU) EconCouns took advantage of a previously scheduled meeting with an advisor to Vande Lanotte to raise the issue March 21. While he did not appear particularly conversant with the details, having just returned from a three-week International Visitors Program in the U.S., the advisor listened to concerns EconCouns expressed that normal, appropriate channels for dealing with consumer complaints did not appear to have been activated and that it seemed to be trial through the media.

¶6. (SBU) Comment: Post welcomes State and Commerce suggestions on handling this issue. Apparently, the Minister of Economy can investigate banking issues, but must forward his findings to the CBFA for action regarding regulation and oversight of banks. An editorial in the Belgian press faults the Sp.A for targeting Citibank when parties have no supervisory authority, and questions why

Sp.A clamors for consumer protection action when a politician from its own party has run the Ministries responsible for consumer affairs for the past four years, yet said/done nothing on bank lending policies. Regarding Embassy engagement on the issue, although the Sp.A action singles out an American company in the competitive Belgian credit market, the federal elections are two months off and post would not want its pursuit of the issue to be construed as domestic political interference. Post believes Citibank factual clarifications and media criticism may move the issue out of the headlines and limit damage to the company.

IMBRIE